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The Beef cattle situation.

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THE BEEF CATTLE SITUATION

A REPORT ISSUED BY THE BUREAU OF AGRICULTURAL ECONOMICS, DEPARTMENT OF AGRICULTURE, ON THE BEEF CATTLE SITUATION

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THE BEEF-CATTLE SITUATION

SUMMARY

Little change has occurred in the general beef-cattle situation since issuance of the January report. Prices for all grades of cattle advanced from late December to mid-January. Although prices for most classes and grades of slaughter cattle declined during the last 2 weeks of the month and in early February, prices of choice and prime-grade steers were maintained at about the level reached in mid-January.

Though slaughter supplies of cattle and calves were smaller in January than in December, inspected slaughter of cattle, except for January 1936, was the largest for the month since 1919. Inspected calf slaughter was the largest for the month on record. The number and proportion of the better grades of slaughter steers were smaller than in December but still considerably above average for the month.

Supplies of the better grades of grain-fed cattle probably will be curtailed considerably in the next 6 months because of the current short supplies of feed grains. For the year as a whole, inspected cattle and calf slaughter is expected to be smaller than the record high slaughter of 1936, but larger than average for the 10 years 1924–33.

Cattle prices in 1937 are expected to average perhaps 10 to 20 percent higher than in 1936, as a result of the reduced slaughter supplies and probable improvement in consumer demand. It is anticipated that the advance in prices of the better grades of slaughter cattle which began in late 1936 will continue or at least be well maintained in the first half of 1937. Prices of the lower grades of cattle probably will advance seasonally in the next 3 or 4 months.

Although cattle prices are expected to be higher in 1937 than in 1936, imports of Canadian cattle probably will be no larger, and may be smaller, than those of last year because of a reduction in the number of Canadian fed cattle available for shipment.

Import duties on all beef items imported by the United Kingdom were established by that country in a recent trade agreement with Argentina. Under the agreement, minimum beef import allotments were granted by the United Kingdom to Argentina. If Argentine shipments to Great Britain are reduced, an increased proportion of the slaughter cattle in Argentina probably will be diverted to the canned beef trade, with the result that larger supplies of canned beef may be available for shipment to the United States.

Review of Recent Developments

PRICES

Decline in late January.—Prices of all grades of slaughter cattle advanced fairly sharply from late December to mid-January. A recession occurred in prices of nearly all grades during the second half of the month and in early February. Prices for the better grades of

steers at Chicago, however, averaged higher in the first week of February than in late December and early January.

Prices of vealers and heavy calves also advanced during the first half of January but declined during the latter half to levels lower than those of a month earlier. Stocker and feeder cattle prices followed the same general course as prices of comparable grades of slaughter cattle and maintained a relatively strong position with respect to prices of such cattle during the month.

The top price of slaughter cattle at Chicago reached $14.50 per 100 pounds in late January, the highest price paid at that market since early last year. Although most grades of cattle declined in price during the last 2 weeks of January and the first week of February, prices of choice and prime-grade steers were maintained at about the level reached in mid-January—a reflection of the decrease in market receipts and the anticipated scarcity in supplies of heavy well-finished cattle in the next few months.

Prices of choice and prime-grade steers at Chicago advanced sharply in early January and averaged $13.12 per 100 pounds for the month, compared with $11.82 in December and $13.03 in January a year earlier. (See table 1, Supplementary Data.) Prices for other grades of beef steers also advanced from December to January, but the advances in prices for the lower grades were less pronounced than those for choice and prime-grade steers. The average price of all grades of beef steers at Chicago was $10.69 per 100 pounds in January compared with $10.27 in December and $9.30 a year earlier.

INSPECTED SLAUGHTER

January records.—Inspected slaughter of cattle in January totaled 867,000 head, 12 percent smaller than in December and 4 percent smaller than in January a year earlier. Except for January 1936, however, it was the largest for the month since 1919. Inspected calf slaughter totaled 484,000 head, 2 percent smaller than in December but 4 percent larger than a year earlier, and the largest for the month on record. (See table 2, Supplementary Data.)

Receipts of beef steers at Chicago in January were somewhat smaller than in December, but larger than in January a year earlier. Marketings of choice and prime-grade steers declined from December to January, while marketings of all other grades increased. The proportion of choice and prime-grade steers in the Chicago receipts declined from 39 percent of the total in December to 27 percent in January. Most of this decline was of a seasonal nature, however, and both the number and proportion of choice and prime-grade steers marketed in January were considerably larger than those of a year earlier and larger than average for the month.

STORAGE SUPPLIES

Above average.—Stocks of beef in cold storage in public warehouses and packing plants on February 1 amounted to 181,000,000 pounns, 7 percent less than on January 1, but still considerably above average. Although storage holdings of beef declined during January, holdings of pork increased, and total meats reported in cold storage on February

1, including pork, beef, lamb, and mutton, amounted to 930,000,000 pounds compared with 871,000,000 pounds a month earlier and 543,000,000 pounds a year earlier. These combined holdings were the largest for February 1 since 1929.

Storage holdings in January and early February this year included a relatively large proportion of frozen pork and beef, indicating that as slaughter supplies, particularly of hogs, are reduced in February and March, a good part of the meat in storage will move into consumptive channels. The increase in holdings of meats and lard over a year earlier was equivalent in live weight to about 2,500,000 head of hogs, 150,000 head of cattle, and 175,000 head of sheep and lambs.

IMPORTS IN 1936 WITH 1937 OUTLOOK

Imports of cattle and calves, and of fresh, pickled and cured, and canned beef in 1936, if converted to a live weight basis, amounted to about 572,000,000 pounds compared with 496,000,000 pounds in 1935. Imports in 1936 were exceeded only by those in the years 1927–29 when they were the largest on record. The live weight equivalent of imports in 1936 was equal to about 5 percent of the live weight of cattle and calves slaughtered under Federal inspection and to only about 3 percent of the estimated total slaughter in the United States.

Canned beef was the most important beef-import item in 1936, making up 57 percent of the total on an equivalent weight basis. Live animals constituted 41 percent of the total, while fresh, pickled, and cured beef amounted to only 2 percent.

CANNED BEEF

Upward trend since 1931.—Canned beef imported by the United States originates mostly in Argentina and Uruguay. Such imports have increased fairly steadily since 1931 as a result of restrictions imposed on chilled and frozen beef imports by the United Kingdom and other European countries and, since 1933, as a result of rising prices for beef and veal in the United States. Total canned beef imports amounted to approximately 88,000,000 pounds actual weight in 1936, compared with 76,000,000 pounds in 1935 and 80,000,000 pounds in 1929, the previous high.

New United Kingdom-Argentina trade agreement.—A new trade agreement between Argentina and the United Kingdom was signed December 1, 1936. As a result of this agreement, duties became effective December 16 on all beef items imported from foreign countries by the United Kingdom. The most important of these items are listed in the accompanying table.

Import duties on beef in the United Kingdom

Item	Duty effective Dec. 16, 1936	Duty previously in effect
Canned beef and veal tongues	20 percent ad valorem	10 percent ad valorem.
Frozen edible offals	do	Free.
Salted beef	1.3 cents per pound	Do.
Chilled beef	1.5 cents per pound	Do.
Frozen beef	1.3 cents per pound	Do.

These duties apply to imports from United States and other foreign countries as well as from Argentina, but do not apply to imports from British dominions. The duties are calculated to represent a rate of about 20 percent ad valorem. The agreement provides that if the ad valorem equivalent of the specific rates should fall as low as 17.5 percent as a result of rising prices, the duties on an ad valorem basis for other types of beef would be reduced correspondingly for a period of 6 months.

No definite system of actual import quotas has been established for beef. The agreement mentions a British proposal, however, for a conference of all interested countries for the purpose of reaching an agreement concerning the division of beef imports by the United Kingdom between domestic, Empire, and foreign producers. In the event of such an agreement, it is provided that Argentina shall receive a share in any non-Empire beef allotment that the United Kingdom may establish which will be no less in quantity or in proportion to the total non-Empire allotment than the minimum allotment to Argentina set forth in the trade agreement.

Under this recent agreement, Argentina is guaranteed certain minimum import allotments by the United Kingdom. The 1937 minimum allotment for chilled beef represents a reduction of about 2 percent from the 1935 level of imports from Argentina. The allotment for imports of frozen beef is about the same in quantity as actual imports from Argentina in 1935. Chilled beef is the principal item in the Argentine beef trade with Great Britain, and the allotment agreement plus the imposition of duties may result in a moderate decline in total shipments of beef to Great Britain. If such shipments are curtailed, the quantity of canned beef from South America available for shipment to the United States is likely to be increased.

CATTLE AND CALVES

Sharp increase 1934 to 1936.—Most of the live cattle and calves imported by the United States originate in Canada and Mexico. Imports of cattle from Canada increased sharply from 1934 to 1936, largely as a result of rising prices for cattle in the United States but partly because of the lowering of the import duty in 1936 from 3 to 2 cents a pound for cattle weighing over 700 pounds on a quota for all countries limited to 156,000 head. This quota was exceeded by about 9,000 head in 1936, Canada supplying 143,000 head and Mexico 22,000 head (exclusive of cattle imported for breeding purposes).

Imports of cattle in excess of the quota are subject to the full duty of 3 cents per pound. Reduced duties also apply to a quota of 20,000 head for dairy cows, weighing 700 pounds and over, imported from all sources. Only 6,700 head of such cattle were imported in 1936. The duty for the first 20,000 head of cows imported for dairy purposes in each calendar year is 1½ cents a pound compared with 3 cents for all such cows imported in excess of the quota. The same reduced rate applies to the first 52,000 head of calves weighing less than 175 pounds imported in the calendar year. Imports of calves in excess of that number are subject to the full duty for cattle weighing less than 700 pounds of 2½ cents a pound. The quota for calves was exceeded slightly in 1936, Canada supplying nearly all of such imports. Total imports of cattle and calves from Canada in 1936

amounted to 244,000 head compared with 126,000 head in 1935, and with 7,000 head in 1934 when cattle prices in the United States were relatively low.

Cattle and calves from Mexico normally are imported for further grazing in the Range States and usually consist largely of animals weighing less than 700 pounds. In 1936, however, imports of cattle from Mexico weighing over 700 pounds were larger than in the preceding year largely as a result of the reduction in the duty on such cattle. Total imports of cattle from Mexico were smaller in 1936 than in 1935, totaling 165,000 head compared with 251,000 head in 1935 and 57,000 head in 1934.

Although the reduction in the duty under the reciprocal trade agreement with Canada accounted for a part of the increase in cattle imports in 1936, it is likely that imports of cattle from Canada would have increased considerably even if there had been no change in duty. Following the favorable returns from feeding in the winter and spring of 1934–35, cattle feeding in Canada, as well as in the United States, was expanded considerably in 1935–36. The relatively large shipments which characterized the first 9 months of 1936 were partly the result of this increased feeding.

The number of cattle imported from Canada in 1937 will depend in part on the level of cattle prices in this country and partly on the supply of Canadian cattle available for shipment. Cattle prices in the United States are expected to be higher in 1937 than in 1936, but it is probable that the number of fed cattle in Canada available for market in the first half of 1937 will be smaller than a year earlier because of reduced feed supplies and the unfavorable returns from cattle feeding last winter.

Imports of cattle from Canada in January were larger than those of a year earlier largely as a result of the relatively high prices in United States markets, and the small imports in December after the quota was filled. Such supplies of Canadian cattle, however, are expected to be rather sharply curtailed in the next 3 or 4 months. The total of such imports in the first half of 1937 probably will be no larger than a year earlier and may be smaller.

OUTLOOK

Demand for beef to continue high.—Payments by packers for cattle and calves slaughtered under Federal inspection in 1936 amounted to $715,000,000, a 10-percent increase over 1935, and the largest total for any year since 1930. Such payments are expected to show a further increase in 1937 as a result of continued improvement in consumer purchasing power.

Consumer demand for beef and veal will be supported by increased national income in 1937. National income made an estimated 12-percent gain in 1936, and a further increase is anticipated for 1937. An additional supporting factor will be the relatively small supplies of hogs available for slaughter. Hog production in 1935 and 1936 was more severely affected by drought than cattle production, and slaughter supplies of hogs are expected to continue relatively small in 1937.

Beef and veal large in proportion to total meat production.—As a result of the decline in slaughter supplies of hogs from 1929–33 levels and the increase in supplies of cattle and calves, the dressed weight of cattle

and calves constituted 47 percent of the total dressed weight of livestock slaughtered under Federal inspection in 1936, 50 percent in 1935, and 42 percent in 1934. The dressed weight of cattle and calves in the 5 years from 1929 to 1933 averaged 35 percent of the total dressed weight of inspected livestock slaughter. During this period the dressed weight of hogs slaughtered averaged 60 percent of the total. Cattle and calf slaughter in 1937 probably will continue to constitute a relatively large proportion of total livestock slaughter as in 1935 and 1936.

Slaughter to be smaller than 1936, but larger than average.—Inspected slaughter of cattle and calves in 1937 is expected to be smaller than the record high slaughter of 1936, but considerably larger than average for the 10 years 1924–33. The number and proportion of the better grades of grain-fed cattle, however, probably will be somewhat smaller than average because of the current short supplies of feed grains.

Cattle prices during the spring and summer probably will show sufficient strength in relation to feed prices to encourage retention of breeding stock, assuming that feed grain and hay production in 1937 will be about normal. This will result in a reduction in the number of cows and heifers available for slaughter from late spring 1937 until the calves are born in the spring of 1938.

Most of the reduction in slaughter supplies of steers is expected to occur in the Western Corn Belt States, where the number of cattle on feed January 1 showed a decrease of 33 percent from the number on feed a year earlier. The number on feed in the Eastern Corn Belt States showed a decline of only about 3½ percent. In the 11 Western States and Texas and Oklahoma the number of cattle on feed January 1 was about 10 percent larger than those on feed a year earlier, and twice as large as the number on January 1, 1935.

The number of steers sold out of first hands from the Corn Belt for slaughter at Chicago in 1937 probably will not be greatly different from that of 1935, although smaller than that of 1936. The number of cattle on feed at the beginning of the year was somewhat larger than 2 years earlier, but a larger proportion of the grain available in the Corn Belt is expected to be used for hog feeding this year. Many of the feeder cattle shipped into the Corn Belt last fall will be carried through the winter on hay, fodder, and other roughage, pastured next summer, and fed out on grain in the winter of 1937–38.

Prices likely to average higher in 1937.—The general level of cattle prices in 1937, on the basis of present indications, is expected to average from 10 to 20 percent higher than in 1936 as a result of reduced slaughter supplies and the probable further improvement in consumer demand. It is anticipated that the number of well-finished cattle marketed in the first 6 months of 1937 will be smaller than a year earlier, and the advance in the price of the better grades which began in late 1936 will continue or at least be well maintained in the first half of 1937. The movement in prices of these kinds of cattle is usually downward from January through April.

Prices of the lower grades of cattle usually advance during the early months of the year. Although the proportion of the lower grades in the total slaughter supply is expected to be relatively large, prices for these kinds of cattle probably will advance seasonally during the first half of the year. It is anticipated that the relatively small number of slaughter hogs that will be available in this period will lend strength to prices of the lower grades of cattle.

SUPPLEMENTARY DATA

TABLE 1.—*Price per 100 pounds of cattle and calves, January 1937, with comparisons*

Classification	January average, 1924–33	January 1934	January 1935	January 1936	1936–37 November	1936–37 December	1936–37 January
Beef steers sold out of first hands at Chicago:							
Choice and Prime	$12.20	$6.01	$11.53	$13.03	$11.41	$11.82	$13.12
Good	10.61	5.20	9.90	10.28	9.95	10.38	10.88
Medium	9.19	4.86	7.60	8.18	8.38	8.64	8.95
Common	7.82	4.13	5.74	6.84	6.66	6.76	7.28
All grades	9.69	5.35	9.24	9.30	10.31	10.27	10.69
Cows, Chicago:							
Good	----------	3.49	5.79	6.27	6.10	5.97	6.43
Low cutter and cutter	4.09	2.07	2.55	4.30	3.80	3.87	4.22
Vealers, Chicago: Good and choice	11.43	6.01	8.03	10.45	8.91	10.21	11.10
Stocker feeder steers, Kansas City:							
500–800 pounds, good and choice	----------	4.36	5.76	7.48	6.37	6.61	7.14
800–1,050 pounds, good and choice	----------	4.15	6.38	7.33	6.72	6.70	7.62
Average price paid by packers:							
Cattle	7.45	4.12	5.77	6.47	5.87	6.42	----------
Calves	9.50	4.73	6.11	8.65	6.10	6.76	----------
Average price received by farmers:							
Beef cattle	6.36	3.33	5.06	6.22	5.97	6.17	6.54
Calves	8.93	4.46	5.84	8.15	7.46	7.83	8.62

TABLE 2.—*Slaughter and market supplies of cattle and calves, 1936 with comparisons December 1936 and January 1937, with comparisons*

Item	Unit	Year: Average 1924–33	Year: 1935	Year: 1936	Month: January average 1924–33	Month: January 1936	Month: December 1936	Month: January 1937
Inspected slaughter:[1]								
Cattle	Thousands	8,850	9,666	10,972	735	906	987	867
Calves	Thousands	4,819	5,679	6,070	377	465	494	484
Beef steers sold out of first hands at Chicago:								
Choice and prime	Thousands	159	100	262	4	4	28	19
Good	Thousands	471	366	345	31	26	18	20
Medium	Thousands	416	179	223	47	29	17	21
Common	Thousands	105	63	68	14	7	9	9
All grades	Thousands	1,151	708	898	96	66	72	69
Receipts of cattle at seven markets.[2]	----------	[3] 8,044	7,842	8,495	[3] 628	632	654	601

Item	Unit	Year: Average, 1924–33	Year: 1935	Year: 1936	Month: December average, 1924–33	Month: December 1935	Month: November 1936	Month: December 1936
Inspected slaughter:								
Cows and heifers	Thousand	4,181	5,412	5,727	386	538	620	575
Steers	do	4,340	3,856	4,798	340	317	336	384
Average live weight:								
Cattle	Pound	953	910	921	959	921	912	916
Calves	do	176	189	193	176	200	214	208
Average dressed weight:								
Cattle	do	516	476	488	512	475	465	475
Calves	do	101	107	108	101	109	116	115
Total dressed weight:								
Cattle	Million pounds	4,532	4,564	5,317	379	420	456	465
Calves	do	487	603	653	39	52	55	57
Imports:								
Cattle[4]	Thousand	253	378	410	22	27	14	13
Canned beef[5]	1,000 pounds	35,527	76,263	87,764	2,071	6,867	3,703	1,764

[1] Bureau of Animal Industry. Excludes Government slaughter in 1935 and 1936.
[2] Chicago, Kansas City, Omaha, East St. Louis, St. Joseph, Sioux City, and St. Paul.
[3] Average, 1929–33.
[4] U. S. Department of Commerce. General imports prior to 1934; beginning Jan. 1, 1934, imports for consumption.
[5] U. S. Department of Commerce and U. S. Tariff Commission. Imports for consumption.

TABLE 3.—*Total dressed weight of livestock slaughtered under Federal inspection, and proportion represented by each class of livestock, average 1929–33, annual 1934–36*

Item	Average 1929–33	1934 [1]	1935 [1]	1936 [1]
	Million pounds	*Million pounds*	*Million pounds*	*Million pounds*
Hogs	8, 007	7, 231	4, 406	6, 101
Cattle	4, 255	4, 960	4, 564	5, 317
Calves	469	643	603	653
Sheep and lambs	647	624	701	680
Total	13, 379	13, 458	10, 274	12, 751
	Proportion of total dressed weight represented by each class of livestock			
	Percent	*Percent*	*Percent*	*Percent*
Hogs	59. 9	53. 7	42. 9	47. 9
Cattle	31. 8	36. 9	44. 4	41. 7
Calves	3. 5	4. 8	5. 9	5. 1
Sheep and lambs	4. 8	4. 6	6. 8	5. 3
Total	100. 0	100. 0	100. 0	100. 0

[1] Excludes Government slaughter.

TABLE 4.—*Imports of cattle and beef for consumption, 1926–36*

Year	Live cattle and calves		Beef		
	Total [1]	Total live weight	Fresh [2]	Pickled or cured [2]	Canned
	Number	*1,000 lbs.*	*1,000 lbs.*	*1,000 lbs.*	*1,000 lbs.*
1926	219, 584		20, 106	3, 813	21, 045
1927	443, 459		42, 574	8, 209	35, 999
1928	534, 804		49, 218	8, 462	52, 738
1929	503, 269		41, 327	9, 432	79, 898
1930	232, 895		17, 078	2, 318	56, 105
1931	95, 355		2, 082	1, 461	19, 587
1932	105, 612		909	818	24, 639
1933	81, 591		344	654	41, 344
1934	66, 304		325	862	46, 674
1935	378, 124	[3] 194, 461	8, 757	1, 472	76, 263
1936	410, 299	[3] 235, 257	4, 081	2, 181	87, 764

[1] General imports prior to 1934, beginning Jan. 1, 1934, imports for consumption.
[2] Includes veal.
[3] Dutiable, comparable data for earlier years not available.

U. S. Department of Commerce. Free and dutiable.

TABLE 5.—*Imports of live cattle and calves from Canada, Mexico, and other countries, 1934–36*

Year	Canada	Mexico	Other countries	Total
	Number	*Number*	*Number*	*Number*
1934	7, 433	57, 090	1, 781	66, 304
1935	125, 786	251, 370	968	378, 124
1936	244, 406	164, 730	1, 163	410, 299

United States Department of Commerce.